Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

PAGE 01 STATE 139112
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SUBJECT: THE CONFERENCE ON INTERNATIONAL ECONOMIC COOPERA-
TION: HISTORICAL PERSPECTIVE AND ASSESSMENT

1) SUMMARY. THE CONFERENCE ON INTERNATIONAL ECONOMIC
COOPERATION (CIEC) ENDED JUNE 3 WITH THE MINISTERIAL MEET-
ING ADOPTING BY CONSENSUS THE FINAL COMMUNIQUE. THE COM-
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PAGE 02 STATE 139112

MUNIQUE CITED AGREEMENT BY THE 27 CIEC PARTICIPANTS ON A
LARGE NUMBER OF ISSUES RELATED TO ENERGY, RAW MATERIALS,
DEVELOPMENT, AND FINANCE; IT ALSO NOTED THE PRIMARY AREAS
ON WHICH THE INDUSTRIALIZED COUNTRY (G-8) AND DEVELOPING
COUNTRY (G-19) REPRESENTATIVES FAILED TO AGREE. A MAJOR
GAP IN THE FINAL CIEC PACKAGE FROM THE G-8 POINT OF VIEW
WAS THE ABSENCE OF AGREEMENT FOR CONTINUATION OF AN ENERGY
DIALOGUE. BOTH SIDES EXPRESSED REGRET IN THE COMMUNIQUE
AT THE LACK OF AGREEMENT ON SPECIFIC ISSUES. BUT THEY
JOINTLY CREDITED CIEC WITH CONTRIBUTING TO BROADER

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

UNDERSTANDING OF THE INTERNATIONAL ECONOMIC SITUATION
AND BEING USEFUL TO ALL PARTICIPANTS. THE RELATIVELY
COOPERATIVE ATMOSPHERE THAT HAS CHARACTERIZED CIEC
DURING THE PAST 18 MONTHS, THE EDUCATIONAL PROCESS
THAT THIS FORUM HAS FACILITATED, AND THE GENERALLY
SATISFACOTRY CONCLUSION OF THE MAY 30 - JUNE 3 MINISTERIAL

MEETING SHOULD HAVE A POSITIVE IMPACT ON THE EVOLVING
NORTH/SOUTH DIALOGUE IN OTHER FORA. END SUMMARY.

2) BACKGROUND. THE CIEC MINISTERIAL MEETING BROUGHT
TO AN END A UNIQUE EXPERIMENT IN THE NORTH/SOUTH
DIALOGUE. IN APRIL, 1975, TEN REPRESENTATIVES OF
THE INDUSTRIALIZED COUNTRIES, OIL IMPORTING DEVELOP-
ING COUNTRIES, AND OIL EXPORTING COUNTRIES MET IN
PARIS TO PLAN FOR THE CONVENING OF AN INTERNATIONAL
ENERGY CONFERENCE. THIS PREPARATORY MEETING FAILED,
HOWEVER, BECAUSE THE OIL EXPORTERS, SUPPORTED BY
OTHER DEVELOPING COUNTRIES, REFUSED TO ISOLATE ENERGY
FROM OTHER NORTH/SOUTH ECONOMIC ISSUES. AFTER
SEVERAL MONTHS OF NEGOTIATIONS, THE SAME PARTICIPANTS
REACHED FORMAL AGREEMENT IN OCTOBER 1975 TO CREATE
CIEC AS A SINGLE CONFERENCE BUT WITH SUBSTANTIVE
DISCUSSIONS TO BE CONDUCTED IN FOUR SEPARATE COM-
MISSIONS: ENERGY, RAW MATERIALS, DEVELOPMENT, AND
FINANCIAL AFFAIRS. CIEC FORMALLY BEGAN WITH THE
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MINISTERIAL-LEVEL MEETING IN PARIS IN DECEMBER, 1975.

3) THE FOUR COMMISSIONS MET ALMOST MONTHLY DURING
1976. THE FIRST HALF OF THE YEAR WAS DEVOTED TO
ANALYTICAL WORK; THE SECOND HALF, TO EFFORTS TO
FORMULATE CONCRETE PROPOSALS FOR SUBMISSION TO
MINISTERS FOR THEIR CONSIDERATION AND APPROVAL.
THE PROCESS WAS TEMPORARILY SUSPENDED IN JULY FOLLOWING
A MEETING OF SENIOR OFFICIALS WHEN THE FOUR COMMISSIONS
FAILED TO AGREE ON THEIR WORK PROGRAMS FOR THE
SECOND HALF OF THE YEAR; THE G-19 INSISTED ON AGENDA
LANGUAGE THAT PREJUDGED THE OUTCOME OF THE QUOTE ACTION-
ORIENTED END QUOTE PHASE, INCLUDING ENDORSEMENT OF THE
CONCEPTS OF GENERALIZED DEBT RELIEF AND INDEXATION OF
COMMODITY PRICES. THIS DISPUTE WAS SUBSEQUENTLY
RESOLVED IN TIME FOR THE COMMISSIONS TO MEET AS
SCHEDULED IN SEPTEMBER. BUT THE CONCLUDING CIEC
MINISTERIAL, ORIGINALLY PLANNED FOR DECEMBER 1976,
WAS POSTPONED IN NOVEMBER, PRIMARILY IN ORDER TO
ALLOW THE NEW US ADMINISTRATION TO PARTICIPATE IN
THE FINAL STAGE OF THE CIEC PROCESS.

4) STRAGY FOR THE NORTH/SOUTH DIALOGUE. OVER THE
PAST 18 MONTHS, THE US HAS SOUGHT TO USE CIEC TO

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Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

ADVANCE OUT GENERAL NORTH/SOUTH OBJECTIVES. OUR GENERAL STRATEGY IS TO REDIRECT THE NORTH/SOUTH DIALOGUE IN CIEC AND OTHER FORA TOWARD AN EMPHASIS ON IMPROVING RATHER THAN RESTRUCTURING THE EXISTING

INTERNATIONAL ECONOMIC SYSTEM AND ON ENABLING THE DEVELOPING COUNTRIES TO PARTICIPATE MORE FULLY IN THIS SYSTEM. TO ACHIEVE THIS OBJECTIVE, WE HAVE STRESSED APPROPRIATE AND EFFICIENT TRANSFER OF RESOURCES TO DEVELOPING COUNTRIES THROUGH DIRECT MECHANISMS, SUCH AS FOREIGN ASSISTANCE, TRADE, AND INVESTMENT. WE BELIEVE--AND SEEK TO CONVINCE LDCS--
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THAT INDIRECT MECHANISMS, SUCH AS GENERALIZED DEBT RELIEF AND INDEXATION OF PRIMARY PRODUCT PRICES, WOULD BE INEFFICIENT, LARGELY INEFFECTIVE, AND ACTUALLY CONTRARY TO LDC INTERESTS. WE RECOGNIZE THAT NORTH/SOUTH NEGOTIATIONS ARE UNIQUE IN TWO FUNDAMENTAL WAYS: 1) THE DEVELOPING COUNTRIES, COMMITTED TO LDC SOLIDARITY ACHIEVED THROUGH THE MANILA DECLARATION (A POTPOURRI THAT CONTAINS SOMETHING FOR EVERYONE), HAVE LITTLE NEGOTIATING FLEXIBILITY AND MUST AT THE END OF ANY SPECIFIC NEGOTIATION BE GIVEN A MORE OR LESS TAKE-IT-OR-LEAVE-IT PACKAGE. 2) CONCESSIONS FROM THE INDUSTRIALIZED COUNTRIES SHOULD BE MADE ON THEIR OWN MERIT AND WITH A VIEW TO ADVANCING OVERALL NORTH/SOUTH INTERESTS WITHOUT DEVELOPED COUNTRIES IN MOST CASES EXPECTING TO GAIN A SPECIFIC QUID PRO QUO. WE ALSO CONSIDER IT IN OUR INTERESTS TO MAINTAIN AND STRENGTHEN THE RELATIVELY COOPERATIVE, NON-POLEMICAL APPROACH WHICH HAS CHARACTERIZED THE NORTH/SOUTH DIALOGUE DURING THE PAST TWO YEARS, IN CONTRAST TO THE CONFRONTATION OF THE PERIOD FROM LATE 1973 TO MID 1975.

5) STRATEGY FOR FINAL PHASE OF CIEC. IN PLANNING FOR THE CONCLUSION OF CIEC, THE US AND OTHER G-8 COUNTRIES AGREED THAT THE OUTCOME OF THE CONFERENCE WOULD HAVE AN IMPORTANT IMPACT ON THE DIRECTION AND TONE OF THE FUTURE NORTH/SOUTH DIALOGUE. CONSEQUENTLY, THE INDUSTRIALIZED COUNTRIES DECIDED THAT THEIR PROFFERED FINAL CIEC PACKAGE MUST DEMONSTRATE A SERIOUS EFFORT TO ADVANCE ECONOMIC RELATIONS BETWEEN THE DEVELOPED AND DEVELOPING COUNTRIES, EVEN THOUGH THIS PACKAGE OF PROPOSALS WOULD OF NECESSITY FALL SHORT OF G-19 ASPIRATIONS. THE ULTIMATE FATE OF CIEC THEN WOULD BE DECIDED BY WHETHER THE G-19 WOULD ACCEPT OR REJECT THE G-8 OFFER.
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6) THE MAJOR ELEMENTS OF THE G-8'S FINAL CIEC PACKAGE WHICH WERE DESIGNED TO APPEAL TO LDCS INCLUDED:

(A) A COMMITMENT TO INCREASED AND MORE EFFECTIVE FOREIGN ASSISTANCE OVER THE NEXT SEVERAL YEARS;

(B) A RECOMMENDATION THAT PARTICIPATING COUNTRIES SUPPORT A GENERAL CAPITAL INCREASE FOR THE IBRD AND THAT THE BANK GIVE GREATER PRIORITY TO LENDING FOR ENERGY AND RAW MATERIALS DEVELOPMENT AND DIVERSIFICATION WITHOUT PREJUDICE TO LENDING FOR OTHER PRIORITY AREAS;

(C) A SPECIAL ACTION PROGRAM OF ONE BILLION DOLLARS AS A ONE-TIME ASSISTANCE EFFORT FOR THE POOREST COUNTRIES (UNDER 520 DOLLAR PER CAPITA INCOME);

(D) AND A COMMITMENT BY THE INDUSTRIALIZED COUNTRIES THAT THERE SHOULD BE QUOTE A END QUOTE COMMON FUND (AS DISTINCT FROM QUOTE THE END QUOTE COMMON FUND SUPPORTED BY THE G-77) THAT WOULD OPERATE IN CONJUNCTION WITH INDIVIDUAL COMMODITY AGREEMENTS.

WITHIN THE CONTEXT OF THE TOTAL CIEC PACKAGE, WE HOPED TO 1) OBTAIN AGREEMENT ON GENERAL GUIDELINES FOR ENERGY SUPPLY; 2) STIMULATE INCREASED COOPERATION IN DEVELOPING ENERGY RESOURCES IN OIL-IMPORTING DEVELOPING COUNTRIES; 3) OBTAIN A CIEC RECOMMENDATION FOR AN ON-GOING ENERGY DIALOGUE AFTER CIEC TERMINATED; AND 4) OBTAIN LDC RECOGNITION OF THE IMPORTANCE FOR BOTH DEVELOPED AND DEVELOPING COUNTRIES OF AN IMPROVED CLIMATE FOR FOREIGN INVESTMENT.

IN ADDITION, A NUMBER OF SECONDARY ISSUES WERE EXPECTED TO BE IN THE FINAL PACKAGE, INCLUDING A POSITIVE APPROACH TO INFRASTRUCTURE DEVELOPMENT IN AFRICA AS WELL AS SOME CONFIDENTIAL

PROGRESS IN MOVING CLOSER TOGETHER ON THE SUBJECTS OF FOOD AND AGRICULTURE, TECHNOLOGY TRANSFER, INDUSTRIALIZATION, COMPENSATORY FINANCE TO COVER SHORTFALLS IN EARNINGS FROM EXPORTS OF PRIMARY COMMODITIES, LDC ACCESS TO CAPITAL MARKETS, AND SUPPORT FOR COOPERATION AMONG DEVELOPING COUNTRIES. NO ACCOMMODATION WAS ANTICIPATED ON THE ISSUES OF GENERALIZED DEBT RELIEF, INDEXATION, OIL PRICES, PROTECTION OF SURPLUS FINANCIAL ASSETS OF OIL-EXPORTING COUNTRIES, AND CAUSES OF GLOBAL INFLATION.

7) RESULTS OF THE CIEC MINISTERIAL MEETING. LENGTHY AND DIFFICULT NEGOTIATIONS CHARACTERIZED THE SENIOR OFFICIALS AND MINISTERIAL SESSIONS. SECRETARY VANCE

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

HEADED THE US DELEGATION TO THE MINISTERIAL MEETING
AND DELAYED HIS EXPECTED DEPARTURE BY 15 HOURS TO
CONTINUE PARTICIPATION IN THE NEGOTIATIONS. THE TWO

SIDES FINALLY SUCCEEDED IN HAMMERING OUT A JOINT COM-
MUNIQUE IN THE EARLY HOURS OF JUNE 3. THE COMMUNIQUE
RECORDED AGREEMENT BY THE PARTICIPANTS ON A LARGE NUMBER
OF ISSUES; IT TOOK NOTE OF THE LACK OF CONSENSUS ON A
NUMBER OF OTHER ISSUES. AN INTEGRAL ELEMENT IN THE FINAL
CIEC COMPROMISE, WHICH THE G-19 RELUCTANTLY ACCEPTED, WAS THE
UNDERSTANDING THAT THE G-19 COULD NOT POCKET THE RESULTS
OF CIEC AND THEN CONDEMN THEIR INADEQUACY IN A UNILATERAL
DECLARATION. BOTH THE G-8 AND G-19, WHILE EXPRESSING
REGRET THAT CERTAIN ISSUES WERE LEFT UNRESOLVED, JOINTLY
DECLARED IN THE COMMUNIQUE THAT THE CIEC DISCUSSIONS HAD
BEEN USEFUL FOR ALL PARTICIPANTS AND HAD CONTRIBUTED TO
INCREASED UNDERSTANDING OF THE INTERNATIONAL ECONOMIC
SITUATION.

8) WE REGARD THE FINAL CIEC RESULTS AS GENERALLY SATIS-
FACTORY. WE ACHIEVED SIGNIFICANT PROGRESS ON MOST OF THE
ELEMENTS THAT WE WANTED IN THE PACKAGE. THE MOST STRIK-
ING BUT NOT WHOLLY UNEXPECTED GAP IS THE LACK OF ANY
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PAGE 07 STATE 139112

AGREEMENT ON AN ON-GOING ENERGY DIALOGUE. A BRIEF SUM-
MARY OF THE FINAL DECISIONS IN THE FOUR AREAS OF ENERGY,
RAW MATERIALS, DEVELOPMENT, AND FINANCE FOLLOWS:

A) ENERGY
WE MADE PROGRESS ON ALL OF THE BASIC G-8 ENERGY OBJECTIVES
EXCEPT FOR OBTAINING A CIEC RECOMMENDATION FOR AN ON-GOING
ENERGY DIALOGUE. THE CIEC PARTICIPANTS AGREED TO A GENERAL
SET OF GUIDELINES THAT 1) RECOGNIZE THE ESSENTIALITY OF
ADEQUATE AND STABLE ENERGY SUPPLIES TO GLOBAL GROWTH AND
THE RESPONSIBILITIES OF ALL NATIONS, INCLUDING THE OIL
EXPORTING COUNTRIES, TO ENSURE THAT SUCH SUPPLIES ARE
AVAILABLE; 2) CALL FOR INTENSIFIED NATIONAL
AND INTERNATIONAL COOPERATIVE EFFORTS TO EXPAND ENERGY
CONSERVATION AND ACCELERATE THE DEVELOPMENT OF CONVENTIONAL
AND NON-CONVENTIONAL ENERGY SUPPLIES DURING THE ENERGY
TRANSITION PERIOD AND BEYOND; 3) AFFIRM THAT SPECIAL EFFORTS
SHOULD BE MADE TO ASSIST OIL IMPORTING LDCS ALLEVIATE THEIR
ENERGY BURDENS; 4) RECOMMEND THAT THE IBRD, IN THE
CONTEXT OF A GENERAL CAPITAL INCREASE, ESTABLISH AS A NEW
PRIORITY LENDING FOR LDC ENERGY DEVELOPMENT; 5) CALL
FOR NEW INTERNATIONAL EFFORTS TO FACILITATE THE TRANSFER
OF ENERGY TECHNOLOGY TO LDCS WISHING TO ACQUIRE SUCH
TECHNOLOGIES; 6) ENDORSE ENHANCED INTERNATIONAL
COOPERATION IN ENERGY R&D, WHICH WILL

PROBABLY LEAD TO PARTICIPATION BY SOME OIL EXPORTING

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

AND OTHER DEVELOPING COUNTRIES IN ON-GOING R&D WORK
IN THE INTERNATIONAL ENERGY AGENCY; AND 7) RECOGNIZE
THE DESIRABILITY AND INEVITABILITY OF THE INTEGRATION
OF THE DOWNSTREAM PROCESSING INDUSTRIES OF THE OIL-
EXPORTING COUNTRIES INTO THE EXPANDING WORLD INDUSTRIAL
STRUCTURE AS RAPIDLY AS PRACTICABLE.

DESPITE INTENSE EFFORTS BY THE G-8 TO GET A CONSENSUS
ON THE ON-GOING ENERGY DIALOGUE, THE G-19 REMAINED
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PAGE 08 STATE 139112

UNYIELDING IN ITS OPPOSITION. AT FIRST, OPEC MEMBERS
OF THE G-19 TRIED TO DEFLECT THE G-8 PROPOSAL FOR
ON-GOING ENERGY CONSULTATIONS WITH A PROPOSAL OF
THEIR OWN FOR THE CREATION OF AN INTERNATIONAL CENTER
FOR TECHNOLOGY TRANSFER. WHEN THE G-8 REJECTED THIS
COUNTER PROPOSAL, SOME OF THE OIL-EXPORTING COUNTRIES
(SAUDI ARABIA AND IRAN) INDICATED THAT THEY WERE
PREPARED TO ACQUIESCEIN CONTINUING ENERGY DISCUSSIONS
IF ALL OF CIEC IN SOME FORM WOULD ALSO CONTINUE.
OTHER G-19 COUNTRIES, INCLUDING THE OIL-IMPORTING
DEVELOPING COUNTRIES WHO GENERALLY FAVORED THE ON-GOING
ENERGY DIALOGUE, REJECTED THE CONTINUATION OF CIEC
IN ANY GUISE, INSISTING THAT THE NORTH/SOUTH DIALOGUE
MUST RETURN TO THE UN FORA WHERE THE G-77 IS FULLY
REPRESENTED. BUT IN THE FINAL CRUNCH, THESE OIL-
IMPORTING DEVELOPING COUNTRIES IN THE G-19 DECIDED
THEY WERE NOT PREPARED TO OPPOSE THE OPEC MEMBERS
AND JOIN THE G-8 IN INSISTING ON A SEPARATE ENERGY
DIALOGUE WITHOUT A CIEC COVER. AS A RESULT, THE
G-8 STOOD ALONE IN SUPPORT OF THE DIALOGUE, AND ITS
MEMBERS DECIDED TO DROP THIS ISSUE RATHER THAN TO LET
IT CAUSE THE COLLAPSE OF CIEC. WE ARE CURRENTLY
STUDYING AND ASSESSING WHETHER AND IN WHAT FORUM THE
IDEA OF CONTINUING ENERGY CONSULATION SHOULD BE RAISED.

ANY FINAL ASSESSMENT OF THE CIEC ENERGY COMMISSION
MUST INCLUDE THE EDUCATIONAL IMPACT ITS WORK HAS HAD
ON BOTH THE OIL IMPORTING DEVELOPING COUNTRIES AND
THE OPEC COUNTRIES. THE FORMER HAVE BECOME MORE
KEENLY AWARE OF THE ADVERSE ECONOMIC IMPACT ON THEM
OF OPEC PRICE AND PRODUCTION DECISIONS; THERE IS
SOME EVIDENCE THAT THEY INCREASED THEIR PRESSURE FOR
PRICE MODERATION ON THE PRODUCERS PRIOR TO THE MAY
AND DECEMBER 1976 OPEC PRICE DECISIONS. DURING THE
COURSE OF THE WORK OF THE COMMISSION, SOME OF THE
OIL EXPORTING COUNTRIES APPEARED TO BECOME MORE CON-
CONFIDENTIAL

PAGE 09 STATE 139112

SCIOUS OF THE IMPACT OF THEIR DECISIONS ON THE GLOBAL

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

ECONOMY. IN ANY EVENT, THE OPEC PARTICIPANTS IN CIEC FOR THE FIRST TIME GUARDEDLY ACCEPTED IN THE COMMUNIQUE THAT OIL EXPORTING COUNTRIES HAVE SOME RESPONSIBILITY FOR THE ADEQUATE AND STABLE ENERGY SUPPLIES THAT ARE NECESSARY FOR GLOBAL GROWTH.

B) RAW MATERIALS

SINCE THE US DID NOT WISH TO DISCUSS RAW MATERIALS ISSUES IN CIEC IN THE FIRST PLACE, ITS OBJECTIVES CONSISTED ESSENTIALLY OF ENSURING A PRAGMATIC, OBJECTIVE AIRING OF THE VARIOUS PROBLEMS IN COMMODITY TRADE AS WELL AS POSSIBLE SOLUTIONS TO THESE PROBLEMS. G-19 PARTICIPATION IN THE DISCUSSIONS CONSISTED LARGELY OF LAYING OUT THE FULL RANGE OF DEMANDS EMANATING FROM THE MANILA DECLARATION AND SEEKING TO GAIN THE GREATEST POSSIBLE NUMBER OF G-8 CONCESSIONS IN RESPONSE TO THESE DEMANDS. THE DEBATES REVEALED SOME GENERAL AREAS OF AGREEMENT BUT EVEN GREATER AREAS OF DISAGREEMENT, PARTICULARLY ON SUCH TRADITIONAL LDC OBJECTIVES AS QUOTE PRESERVATION OF LDC PURCHASING POWER IN REAL TERMS END QUOTE (INDEXATION) AND MEASURES TO HARMONIZE THE PRODUCTION OF SYNTHETICS WITH THAT OF NATURAL PRODUCTS. ON OTHER ISSUES SUCH AS COMPENSATORY FINANCING TO COVER SHORTFALLS IN LDC EARNINGS FROM EXPORTS OF PRIMARY PRODUCTS, A G-8 PROPOSED STUDY OF THE ISSUE IN THE IMF/IBRD DEVELOPMENT COMMITTEE FOUNDERED OVER G-19 INSISTENCE ON UNCTAD PARTICIPATION IN THE STUDY.

IN THE WAKE OF THE DECISION OF PARTICIPANTS IN THE LONDON ECONOMIC SUMMIT THAT THERE SHOULD BE A COMMON FUND AND THAT CIEC SHOULD SEEK TO GIVE IMPETUS TO RESUMED NEGOTIATIONS ON THIS ISSUE IN NOVEMBER, CIEC PARTICIPANTS REACHED AGREEMENT IN PRINCIPLE ON THE QUOTE ESTABLISHMENT OF A COMMON FUND WITH PURPOSES, OBJECTIVES AND OTHER CON-

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STITUENT ELEMENTS TO BE FURTHER NEGOTIATED IN UNCTAD. END QUOTE. AS THE LANGUAGE IMPLIES, THE G-8 HAVE NOT ACCEPTED UNCTAD VERSION OF THE COMMON FUND. BY THE SAME TOKEN, THE G-19 DID NOT GIVE UP THE UNCTAD VERSION OF COMMON FUND.

ASSIDE FROM THE POLITICAL DECISION ON THE COMMON FUND ISSUE, THE DISCUSSION OF RAW MATERIALS ISSUES IN CIEC, DESPITE THE LACK OF AGREEMENT ON MANY ISSUES, WAS PROBABLY SALUTARY IN THAT THE INDUSTRIALIZED COUNTRIES WERE FIRM FOR THE MOST PART IN REJECTING THE MORE IMPRACTICAL AND UNREALISTIC LDC PROPOSALS AIMED AT MARKET INTERVENTION. ALTHOUGH WE MAY EXPECT THE LDCS TO RENEW THEIR DEMANDS IN OTHER FORA, THEY MAY DO SO WITH A MORE SO0ER VIEW OF THE LIKELY DEVELOPED COUNTRY RESPONSE.

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

C) DEVELOPMENT
CIEC ALSO PRODUCED AGREEMENT ON A NUMBER OF USEFUL CONCEPTS AND PROGRAMS IN THE AREAS OF DEVELOPMENT FINANCE, TRANSFER OF TECHNOLOGY, TRADE, ASSISTANCE TO AGRICULTURE, INFRA-STRUCTURE, AND INDUSTRIALIZATION.

ONE OF THE MOST NOTABLE CIEC ACHIEVEMENTS IS THE COMMIT-MENT OF DONOR COUNTRIES TO QUOTE SUBSTANTIALLY AND EFFEC-TIVELY END QUOTE INCREASE OFFICIAL DEVELOPMENT ASSISTANCE AND TO ENHANCE THE QUALITY AND DISTRIBUTION OF AID FLOWS. IN ADDITION, COUNTRIES WHICH HAVE NOT YET ACCEPTED THE 0.7 PERCENT OF GNP TARGET FOR ODA QUOTE COMMIT THEMSELVES TO WORK TO INCREASE PROGRESSIVELY AND SUBSTANTIALLY THEIR ODA FLOWS TAKING INTO ACCOUNT THE IMPORTANCE OF THE RAIS-ING OF THE LEVELS IN REAL VALUE OF THESE FLOWS END QUOTE. DONOR COUNTRIES ALSO AGREED TO BEGIN NEGOTIATIONS ON A GENERAL CAPITAL INCREASE FOR THE WORLD BANK.

DEVELOPED COUNTRIES IN CIEC ALSO AGREED TO ESTABLISH A ONE BILLION DOLLAR SPECIAL ACTION PROGRAM OF ADDITIONAL
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AID FOR POORER LDCS. CONTRIBUTIONS TO THIS PROGRAM WILL TAKE VARIOUS FORMS. THE US SHARE IS AN INCREASE OF 375 MILLION DOLLARS BY FY79 IN OUR REGULAR BILATERAL DEVELOP-MENT ASSISTANCE PROGRAM. THE EUROPEAN COMMUNITY WILL CONTRIBUTE 385 MILLION DOLLARS TO A SPECIAL ACCOUNT OF IDA. OTHER DEVELOPED COUNTRY PARTICIPANTS WILL SPLIT THE RE-MAINING 240 MILLION DOLLARS.

THE PARTICIPANTS AGREED ON A SET OF GENERAL CONCEPTS CONCERNING INFRASTRUCTURE DEVELOPMENT WITH PARTICULAR REFERENCE TO A CONFERENCE TO SET OBJECTIVES FOR AN AFRICAN TRANSPORT AND COMMUNICATIONS DECADE. THERE WAS PROGRESS ON THE ISSUE OF INDUSTRIALIZATION, THOUGH NO AGREEMENT ON ADJUSTMENT ASSISTANCE AND ACCESS TO MARKETS. ON TECHNOLOGY TRANSFER THERE WAS AGREEMENT ON: THE IMPORTANCE OF THE PROPOSED REVISION OF THE PARIS CONVENTION ON INDUSTRIAL PROPERTY; IMPLEMENTATION OF UNCTAD RESOLUTION 87(IV) AND 89(IV); AND THE IMPORTANCE OF THE UPCOMING UN CONFERENCE ON SCIENCE AND TECHNOLOGY. CIEC PRODUCED AN EXTENSIVE AND FULLY AGREED TEXT ON FOOD AND AGRICULTURE WHICH INCLUDED ACTION ON A 500,000 TON EMERGENCY GRAIN RESERVE, SUPPORT FOR EARLY NEGOTIATIONS ON A GRAINS AGREEMENT WITH STOCKS, AND RECOMMENDATIONS FOR ENHANCED AID FOR SEED PRODUCTION AND RESEARCH. ON TRADE THERE IS AGREED LANGUAGE: 1) RECOGNIZING THE IMPOR-TANCE OF MAKING GENERAL PROGRESS IN THE MTN, AND THE NEED TO PURSUE LDC INTERESTS IN THAT FORUM, 2) CALLING FOR EFFORTS TO IMPROVE THE GSP AND TO REACH AN EARLY CONCLUSION OF THE MULTILATERAL TEXTILE NEGOTIATIONS.

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

THE CONFERENCE ALSO DISCUSSED BUT COULD NOT AGREE ON
THE QUESTION OF DEVELOPING COUNTRY DEBT. IT CONSIDERED
THE US-EC PROPOSAL ON FEATURES TO GUIDE BOTH ACUTE
DEBT OPERATIONS AND SITUATIONS WHERE DEBT IS PART OF
A LONGER TERM STRUCTURAL BALANCE OF PAYMENTS PROBLEM.
OUR PROPOSAL REMAINS INTACT, A TACTICAL ADVANTAGE FOR
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LATER DISCUSSIONS, AND WE ARE PREPARED TO HAVE IT
CONSIDERED ELSEWHERE.

D) FINANCE
THE WORK OF THE FINANCIAL AFFAIRS COMMISSION RESULTED
IN FOUR GENERALLY AGREED PAPERS: PRIVATE FOREIGN
DIRECT INVESTMENT, DEVELOPING COUNTRY ACCESS TO
CAPITAL MARKETS, OTHER FINANCIAL FLOWS (MONETARY ISSUES),
AND COOPERATION AMONG DEVELOPING COUNTRIES.

ON PRIVATE DIRECT FOREIGN INVESTMENT, CONSIDERABLE
PROGRESS WAS MADE IN ESTABLISHING THE ESSENTIAL ELEMENTS
THAT CONSTITUTE A FAVORABLE INVESTMENT CLIMATE. BUT
THOSE ISSUES THAT TOUCHED UPON THE SOVEREIGNTY OF THE
HOST COUNTRIES COULD NOT BE RESOLVED. REGARDING ACCESS
TO CAPITAL MARKETS, THE FINAL RESULTS SUPPORT THE WORK
OF THE IMF/IBRD DEVELOPMENT COMMITTEE AND URGE THE
SPEEDY IMPLEMENTATION OF ITS RECOMMENDATIONS. THESE
LARGELY INVOLVE TECHNICAL ASSISTANCE OF VARIOUS SORTS.

WITH RESPECT TO MONETARY ISSUES, THE PARTICIPANTS NOTED
WITH SATISFACTION THAT THE WORK PROGRAM LAID OUT FOR IMF
BY THE INTERIM COMMITTEE REFLECTED A LARGE NUMBER OF
CONCERNS EXPRESSED DURING THE CONFERENCE. STRONG
SUPPORT WAS EXPRESSED FOR THE INITIATIVE TAKEN TO
ESTABLISH A SUPLEMENTARY CREDIT FACILITY IN THE IMF.
A NUMBER OF G-19 PARTICIPANTS, IN PARTICULAR, JAMAICA
AND MEXICO, ADVANCED SPECIFIC PROPOSALS FOR STRUCTURAL
CHANGES IN THE INTERNATIONAL MONETARY SYSTEM AND FOR
EASIER ACCESS TO INTERNATIONAL FINANCIAL RESOURCES. THE
G-8 RESISTED INCLUSION OF SUCH PROPOSALS AS THESE ARE
MATTERS FOR DISCUSSION IN THE IMF AND NOT WITHIN THE
COMPETENCE OF THE CIEC. THE G-19, PREFERRING TO HAVE
MONETARY ISSUES REMAIN ON THE TABLE, WITHDREW THEIR
SPECIFIC PROPOSALS IN ORDER TO REACH AN AGREED TEXT,
NOTING, HOWEVER, THAT THE CONSENSUS REACHED DID NOT
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COVER ALL AREAS OF INTEREST TO THEM. THE PAPER ON
COOPERATION AMONG DEVELOPING COUNTRIES LARGELY REFLECTED
THE TEXT AGREED EARLIER IN VARIOUS UN FORA.

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

DISAGREEMENT ON THE TEXT FOR MEASURES AGAINST INFLATION
REFLECTED DIVERGENT VIEWS ON THE SOURCES OF INFLATION.

THE G-19 INSISTED THAT THE ONLY MATTER OF CONCERN WAS
IMPORTED INFLATION AND THAT MEASURES AGAINST SUCH
INFLATION CALLED FOR INDEXATION OF THEIR EXPORT PRICES.
THE G-8 MAINTAINED THAT INFLATION IS LARGELY HOME-
GROWN, AND REQUIRES APPROPRI;TE DEMAND MANAGEMENT MEASURES.
HOWEVER, THE G-8 NOTED THAT THOSE COUNTRIES WHOSE
ACTIONS HAD WORLD-WIDE REPERCUSSIONS -- I.E. LARGE
INDUSTR;AL COUNTRIES AND COUNTRIES WITH IMPORTANT
EXPORTS -- HAD A PARTICULAR RESPONSIBILITY TO COMBAT
INFLATION. ON FINANCIAL ASSETS OF OIL-EXPORTING DEVELOP-
ING COUNTRIES, PARTICIPANTS HAD AGREED THAT ACCUMULATION
OF THESE ASSETS RELATED TO PRODUCTION OF OIL AT CURRENT
PRICES IN EXCESS OF REVENUE NEEDS. HOWEVER, THE G-8
COULD NOT AGREE THAT, THEREFORE, SUCH ASSETS SHOULD
RECEIVE PREFERENTIAL TREATMENT. ALTHOUGH IT APPEARED
POSSIBLE TO COME TO SOME AGREED TEXT REFLECTING BOTH
OPEC AND G-8 CONCERNS AGREEMENT FELL APART AT THE LAST
MINUTE AND PARTICIPANTS RETURNED TO THEIR MAY 14 TEXTS.

9) CONCLUSION. THE FULL IMPACT OF CIEC ON THE NORTH/
SOUTH DIALOGUE CANNOT BE ASSESSED FOR SOMETIME. BUT
VIEWED FROM THE IMMEDIATE PERSPECTIVE, IT WOULD APPEAR TO
BE GENERALLY POSITIVE. THE INDUSTRIALIZED COUNTRIES
DEMONSTRATED IN CIEC A WILLINGNESS TO BACK THEIR
RHETORIC OF GLOBAL INTERDEPENDENCE AND THE VALUE OF A
COOPERATIVE APPROACH TO NORTH/SOUTH ISSUES WITH CONCRETE
AND MEANINGFUL INITIATIVES TO MEET REAL LDC NEEDS.
THESE ACTIONS WERE NOT IGNORED BY THE LDC REPRESENTATIVES.
DESPITE THE INEVITABLE PROTESTATIONS OF THE INADEQUACY
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OF THE CIEC RESULTS, A NUMBER OF G-19 DELEGATES CONFIDED
THEIR BELIEF THAT LDCS OBTAINED BENEFITS FROM CIEC
THAT THEY OTHERWISE EITHER WOULD NOT HAVE GAINED,
OR OBTAINED ONLY MUCH LATER. THE INDUSTRIALIZED COUNTRIES
ALSO EXPLOITED THE UNIQUE CHARACTER OF THE CIEC FORUM
FOR EDUCATIONAL PURPOSES. THEY EMPHASIZED THE NECESSITY
OF THE LDCS TEMPERING THEIR ASPIRATIONS WITH REALISM
AND RECOGNIZING THE POLITICAL AND ECONOMIC CONSTRAINTS
AFFECTING THE POSITIONS OF THE INDUSTRIALIZED COUNTRIES
ON NORTH/SOUTH ISSUES. IN REJECTING A NUMBER OF TRAD-
ITIONAL LDC DEMANDS, THE DEVELOPED COUNTRIES EXPLAINED
WHY THE ARBITRARY AND INEFFICIENT MECHANISMS FOR
RESOURCE TRANSFER PROPOSED BY THE LDCS RUN COUNTER
TO THEIR OWN INTERESTS AS WELL AS THAT OF THE GLOBAL
ECONOMY IN WHICH THEY HAVE A MAJOR STAKE. THEY
DOCUMENTED HOW THE LDCS COULD DERIVE GREATEST BENEFIT
FROM SEEKING TO IMPROVE THEIR ECONOMIC POSITION WITHIN

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THE EXISTING ECONOMIC SYSTEM AND IN THE CONTEXT OF AN EXPANDING GLOBAL ECONOMY. THESE DISCUSSIONS, THE FINAL

CIEC RESULTS, AND THE RELATIVELY COOPERATIVE ATMOSPHERE IN CIEC WILL NOT CAUSE THE DEVELOPING COUNTRIES TO LESSEN THEIR POLITICAL COMMITMENT TO THE NEW INTERNATIONAL ECONOMIC ORDER, UPON WHICH LDC SOLIDARITY DEPENDS. NOR WILL THEY LIKELY MAKE FUTURE NEGOTIATIONS IN OTHER NORTH/SOUTH FORA EASIER. BUT THEY COULD HELP MAKE THESE NEGOTIATIONS SOMEWHAT MORE RATIONAL AND PERHAPS MORE PRODUCTIVE BY ENCOURAGING THE LDCS TO TEMPER THEIR MORE EXTREME AND UNREALISTIC DEMANDS. IF SO, THE CIEC EFFORT WILL HAVE BEEN A WORTHWHILE AND IMPORTANT STEP IN THE EVOLVING NORTH/SOUTH DIALOGUE. CHRISTOPHER

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